



Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

Canada

[Home](#) > [News Room](#) > [News Releases](#) >

## CANADA'S NEW GOVERNMENT INVESTS \$300 MILLION TO CREATE HOME OWNERSHIP OPPORTUNITIES FOR FIRST NATIONS ON-RESERVE

2-2872

**Ottawa, Ontario (April 20, 2007)** - The Honourable Jim Prentice, Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians, and the Honourable Monte Solberg, Minister of Human Resources and Social Development and Minister responsible for Canada Mortgage and Housing Corporation, today announced a \$300 million First Nations Market Housing Fund that will give First Nations people living on reserve a better chance to own their own home.

"This fund represents a fundamental shift in how Canada's New Government supports housing on-reserve," said Minister Prentice. "First Nation home ownership is well below the national average. Not enough people living on reserve know the feeling that comes from owning their own home. This approach will support the development of a housing market on reserve, while fully respecting the communal ownership of reserve land."

The First Nations Market Housing Fund is a new and innovative approach to give First Nations members the opportunity to own their own homes on reserve. A market-based approach will increase access to financing for First Nations, enabling more individuals to own or rent their own home on-reserve. It is anticipated that up to 25,000 new housing units over 10 years could be provided through this fund.

"Canada's New Government is committed to providing First Nations on-reserve with the same housing opportunities and responsibilities as other Canadians. This innovative approach will improve housing on reserve, increase the housing supply and provide First Nations families and individuals with a means to build equity and generate wealth," said Minister Solberg.

"The housing conditions of First Nations are well known and require urgent attention. We will be consulting with our Chiefs as we are anxious to maximize the benefits to all First Nations," said Assembly of First Nations Yukon Regional Chief Rick O'Brien, co-chair of the Chiefs Committee on Housing. "We welcome today's announcement as it's one important component in an overall solution."

Canada's New Government is committed to working in partnership with First Nations and the financial community to create sustainable housing solutions supported by strong accountability and governance structures that address the long-term on-reserve housing needs of First Nations.

The federal government will engage First Nations communities and financial institutions on implementation of the fund.

The \$300 million investment initially announced in the 2007 Federal Budget, is in addition to existing federal funding of \$261 million annually to improve on-reserve housing in all First Nations communities.

This release is also available on the Internet at:

Canada Mortgage and Housing Corporation (*external link, opens a new window*)

**For more information, please contact:**

**Minister Prentice's Office**

Deirdra McCracken  
(819) 997-0002

**Minister Solberg's Office**

Lesley Harmer  
(819) 994-2482

**INAC Media Relations**

(819)953-1160

**CMHC Media Relations**

(613) 748-4632

[Backgrounder - The Creation of a First Nations Market Housing Fund](#)  
[Backgrounder - Partners and Responsibilities for First Nations Housing On-reserve](#)  
[Frequently Asked Questions - First Nations On-Reserve Housing](#)  
[Housing Success Stories](#)

Date Modified: 2007-06-14



Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

Canada

[Home](#) > [News Room](#) > [News Releases](#) >

## **Backgrounder - The Creation of a First Nations Market Housing Fund**

### **Overview of Federal Housing Support on First Nations Reserves**

The need for adequate, affordable housing on-reserves is considerable. According to the 2001 Census, 27.7% of on-reserve households were living in inadequate or unsuitable housing and unable to afford acceptable alternative housing. This situation leads to poorer economic and social outcomes and contributes to the gap in quality of life for First Nations on-reserves compared to the Canadian population in general.

The federal government invests approximately \$261 million per year in on-reserve housing needs, including \$138 million from Indian and Northern Affairs Canada (INAC) and close to \$123 million from Canada Mortgage and Housing Corporation (CMHC).

In addition, \$295 million has been committed over five years to help stabilize current housing conditions on-reserve.

First Nations provide housing in their communities, in part by administering these government funds, and by identifying and obtaining additional funding from other sources to support these needs.

In recent years, a number of First Nations have implemented successful housing policies and management regimes, and pioneered financing techniques leading to better housing outcomes and support for market-based housing. First Nations continue to seek innovative approaches to improve housing in their communities.

### **First Nations Market Housing Fund**

Canada's New Government announced in Budget 2007 an investment of \$300 million for market housing on-reserve which it is using to establish the First Nations Market Housing Fund. The fund will help families and individuals of First Nations living on-reserve to own their own home – a home they desire based on their housing needs, financial situation and personal tastes.

The fund is an innovative new approach to ensuring that First Nations members on-reserve can have the opportunity to obtain loans from financial institutions and build, buy or renovate a house on-reserve lands. This will not only increase the housing supply, but will provide families and individuals on-reserve the means to build equity and generate wealth.

### **Rationale**

People who live off reserve can obtain loans to buy their own homes because lenders receive security in the form of a mortgage on the property.

At present, it is difficult for someone living on-reserve to obtain a housing loan because the land belongs to the community and not the individual. This makes traditional forms of mortgage security inappropriate.

The new First Nations Market Housing Fund will help individuals on-reserve to obtain loans. The fund will provide financial backing to First Nations that meet certain criteria, such as a demonstrated ability to manage their finances, loans and housing. The First Nation would provide financial backing to members on-reserve who want to obtain bank loans.

## Process

Once the fund is established, housing loans can be provided by lenders to First Nations residents through the following process:

- Once the fund qualifies a First Nation, it will provide financial backing to it. This would be like collateral. The fund's backing will allow the First Nation to negotiate an arrangement with a lender or lenders to allow its members to obtain housing loans.
- Once the First Nation has negotiated the arrangement with the lender or lenders, members of that First Nation will be able to apply for a housing loan, in the same way households do off-reserve, with the same lending terms and conditions. Lenders will review the value of the house, the borrower's income and the borrower's ability to repay a loan when their other expenses are considered. Assuming the borrower meets the lender's criteria, he or she would be approved for a loan.
- The fund will not be touched unless both the borrower and the First Nation default.
- If the borrower continues to make the loan repayments, the First Nation does not have to repay the lender and the fund is not touched.
- If the borrower fails to repay the loan, the First Nation would step in and remedy the default under the terms of its agreement with the lender, using the First Nation's own resources to meet the obligations.
- If both the borrower and the First Nation are unable to meet their obligations to the lender, the lender could then turn to the fund for recourse.

Not all First Nations will be able to meet the fund's criteria right away. The fund will work with First Nations that do not qualify to help them strengthen the way they manage housing in their communities so that they can meet the fund criteria and obtain loans in the future.

The fund will be run by a Board of Trustees made up of individuals drawn from First Nations, financial institutions, such as banks and other lenders, and the federal government.

The fund will provide yearly reports to the Government of Canada addressing its business plans, operations and finances.

Canada Mortgage and Housing Corporation (CMHC) will manage the day-to-day activities of the fund in the initial years, under the direction of the Board of Trustees.

Canada's New Government expects that the fund will help to provide for up to 25,000 housing units on-reserve over 10 years.

[Back to News Release](#)

Date Modified: 2007-06-14





Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

Canada

[Home](#) > [News Room](#) > [News Releases](#) >

## Backgrounder - Partners and Responsibilities for First Nations Housing On-reserve

*It takes many different tools, materials and skills to build a home. In the same way, ensuring adequate and healthy on-reserve housing takes a team effort.*

### First Nations

First Nations, including chiefs and councils, home-owners and occupants, play a leading role in building and maintaining homes on reserves. First Nations leadership responsibilities include developing community housing plans and priorities, administering INAC and CMHC housing programs and identifying funding from other sources for their housing needs.

### Indian and Northern Affairs Canada (INAC)

INAC provides funding to First Nations that may be used toward the costs of new home construction and renovation, maintenance, insurance, debt-servicing, and the planning and management of the housing portfolio.

### Canada Mortgage and Housing Corporation (CMHC)

CMHC contributes to the supply of housing on reserves by increasing access to financing for market housing, and through the provision of subsidies for assisted housing. CMHC also offers renovation programs to improve and modify the existing housing stock. In addition, it undertakes research and provides information and training on housing, including mold prevention and remediation, housing management and maintenance.

### Health Canada (HC)

Health Canada also plays a role in First Nations housing on reserves. Health Canada supports the delivery of public health and health promotion services, including inspection of houses from an environmental health perspective.

### First Nations Housing Institutions

Housing institutions, such as the First Nations National Housing Managers Association and the First Nations National Building Officers Association, play key roles in planning, delivering and managing housing programs. These groups support the technical building industry, develop good governance practices, and have links to land designation and related economic development processes.

### Private Sector

Private businesses are involved in financing, building and managing housing in a number of First Nation communities. First Nations can develop partnerships with businesses to help obtain more private sector support for skills development, financial and management systems and infrastructure. This helps First Nation governments and their members attract more private investment.

[Back to News Release](#)

Date Modified: 2007-06-14





Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

Canada

[Home](#) > [News Room](#) > [News Releases](#) >

## Frequently Asked Questions - First Nations On-Reserve Housing

### **Q1. How much money does the Government of Canada currently spend on First Nations housing on-reserve?**

Through Indian and Northern Affairs Canada (INAC) and Canada Mortgage and Housing Corporation (CMHC), the federal government provides approximately \$261 million per year to build about 2,300 new units, renovate some 3,300 units, and continue subsidizing a stock of about 25,000 units of existing rental housing on-reserve.

An additional \$295 million was committed in 2005 for investment over five years to improve current on-reserve housing conditions.

### **Q2. What types of housing support currently exist for First Nations on-reserve?**

First Nations on-reserve have several options for housing assistance from INAC and CMHC.

INAC funds activities supporting on-reserve housing, including the construction of new houses and renovation of existing units. The funding is administered by a First Nation that establishes and implements comprehensive, community-based housing plans to meet the needs of its members.

Based on income and assets, individual households can access capital from a financial institution following established lending criteria to build, purchase or renovate on-reserve housing to live in or rent to others. Because on-reserve property cannot be mortgaged by a private lender, security may be provided through Ministerial Loan Guarantees (provided by INAC) with the consent of the First Nation council.

CMHC provides operating subsidies to First Nation councils for non-profit rental housing through its On-Reserve Rental Housing Program(Section 95). Approximately 25,000 units continue to receive subsidy.

CMHC's Residential Rehabilitation Assistance Program(RRAP)can be used to bring existing housing up to minimum standards of health and safety and to modify housing to meet the needs of the disabled. The program is delivered on-reserve by First Nation councils or their designated housing authorities or agents of CMHC.

CMHC offers other programs which provide assistance to build and renovate shelters for victims of family violence and make modifications for the frail elderly to remain in their homes.

CMHC also undertakes research and provides information and training on housing.

### **Q3. What tools are already available to facilitate home ownership on-reserves?**

Ministerial Loan Guarantees are available through INAC to support private sector lending on-reserve.

Some First Nations have created innovative financing tools to achieve high levels of home ownership. These include setting up funds for lending to buy houses and negotiating arrangements with private lenders so that they can provide a limited amount of unsecured financing for housing.

CMHC makes available loan insurance to protect loans for private-sector lending on-reserves in two ways:

1. Mortgage loan insurance may be provided with a Ministerial Loan Guarantee; and
2. CMHC's On-Reserve Home Ownership Loan Insurance Pilot Product enables people living on-reserves to buy a home financed by a CMHC-insured mortgage (without a Ministerial Loan Guarantee). This product helps expand access to home ownership on-reserves while freeing up much-needed band capital that can be used to support other band initiatives.

With loan insurance, the borrower's down payment can be smaller or even eliminated for qualified buyers.

#### **Q4. What does market-based housing mean? What are the benefits on-reserve?**

Market-based housing is when individuals purchase or rent their housing using their own financial resources.

An enhanced market-based approach to housing will give First Nations access to the same housing opportunities and responsibilities as other Canadians.

Market housing can bring many benefits to First Nations, including employment growth based on new home construction, increased housing supply, improved quality of life, and opportunities for First Nations families to build equity and generate wealth.

Market-based housing leads to a stronger economy and more stable community. It also helps alleviate pressures due to overcrowding, supports renovation and housing durability.

#### **Q5. What are the impediments to market-based housing on-reserve?**

One of the main impediments to market-based housing is a lack of access to financing for housing on-reserve because of *Indian Act* provisions which limit seizure of property on-reserve to a First Nations community or its members. This poses problems for private sector lenders, thereby restricting access to financing, limiting on-reserve housing activity and First Nations economic development.

Another barrier to market-based housing on-reserves is a lack of security of tenure. With respect to security of tenure, essentially, reserve lands are held communally, not individually.

Although there are varying degrees of tenure and certainty of title provided, such as Certificates of Possession, certainty of title differs among communities. Additional efforts are required to help improve security of tenure to help support market-based solutions to housing on-reserves.

Other obstacles include the lack of housing charges or rental regimes in a number of First Nations communities, a high level of band ownership of housing, and a lack of serviced lots.

### **First Nations Market Housing Fund**

#### **Q1. How will the fund work?**

Once the fund is established, housing loans can be provided by lenders to First Nations residents through the following process:

The fund qualifies a First Nation and provides financial backing to it. This would be like a line of



credit.

The First Nation then negotiates an arrangement with the lender or lenders, which allows members of that First Nation to apply for a housing loan, in the same way households do off-reserve.

If the borrower continues to make the loan repayments, the First Nation does not have to repay the lender and the fund is not touched.

If the borrower fails to repay the loan, the First Nation would step in and remedy the default under the terms of its agreement with the lender. Once again, the fund will not be touched.

If both the borrower and the First Nation are unable to meet their obligations to the lender, the lender could then turn to the fund for recourse.

## **Q2. When will this fund be up and running?**

The fund is expected to be operational in April 2008.

There are several steps involved in setting up the fund, the first of which is to engage with the representatives from the Assembly of First Nations, First Nations and the financial community on key elements such as program designs and eligibility criteria.

## **Q3. What is the purpose of the fund?**

The fund will make it easier for First Nations families and individuals to obtain a loan to build, buy or renovate a house on-reserve lands, either to live in or to rent to others. It will act as a guarantee against defaults for lenders who provide loans to First Nations home-buyers on-reserve.

The fund will be a promise of collateral up to a specified amount to lenders in the event that neither the borrower nor the First Nation is able to pay the lender back as agreed.

It will mean that lenders will apply the same criteria to First Nations on-reserve borrowers, as they do to borrowers who live off-reserve. Private lenders will determine whether or not particular individuals qualify for loans.

To participate in this new approach, First Nations must meet certain eligibility criteria, such as an ability to manage their finances and loans. They also need the support of their community and must have a sufficient demand for housing.

Prior to this, only a few private lenders had entered into limited arrangements with some First Nations communities to provide financing for housing. Generally, lenders provide loans that are backed by an INAC Ministerial Loan Guarantee or by other First Nations assets. The lender needs to be confident it will be compensated in the event of loan default.

## **Q4. Will a First Nation be able to use the \$300 million fund to buy their homes?**

No, the fund will not directly finance the purchase of homes.

The fund will act as a guarantee against default for lenders who provide loans to First Nations borrowers on-reserve.

The fund is meant to be a long-term sustainable investment in on-reserve housing. It will be invested and the returns from this investment will grow the fund and provide support for more housing loans.

**Q5. Why is the fund set at \$300 million?**

This amount will provide the required funding necessary to support the development of market-like conditions on-reserve in many First Nations.

The size of the fund is meant to ensure that it is available over time for all communities as they become ready to benefit from it, even though not all communities will meet the eligibility criteria at the outset.

The \$300 million fund demonstrates the Government of Canada's commitment to this new approach. It will also demonstrate to private market lenders that sufficient collateral is in place if neither the borrower nor the First Nations is able to pay the lender back in case of default.

**Q6. What if a First Nations borrower defaults?**

If a borrower defaults on the loan, the First Nation in which that borrower lives is expected to reimburse the lender.

If the First Nation does not meet its obligations under its agreement with the lender, the lender would have access to the fund to the amount approved for that First Nation.

Following this, the First Nation will cease to be eligible to access additional credit from the fund until any default amount is repaid.

**Q7. Will the fund pay for 100 per cent of the lender's loss?**

The qualified First Nation will negotiate an arrangement with a lender or lenders to allow its members to obtain a housing loan.

The amount the First Nation must repay will be set out in its arrangements with the lender or lenders.

**Q8. Will this fund help with the current on-reserve housing shortage?**

It is estimated that this approach could result in up to 25,000 new housing units being constructed over the next 10 years.

**Q9. Will this fund help the poorest First Nations communities?**

The fund will provide backing to First Nations that meet certain criteria, such as a demonstrated ability to manage their finances, loans and housing. The First Nation would also need to have a good base of members who want to become homeowners.

Not all First Nations will be able to meet the fund's criteria right away. The fund will work with these First Nations to help them strengthen the way they manage housing and finances in their communities so that they can meet the fund criteria.

Current ongoing CMHC and INAC programs and funding will continue to assist communities and households unable to benefit from the fund.

INAC provides ongoing funding of \$138 million per year on a per capita basis to all First Nations communities for housing. All communities can use these funds for new housing construction, renovations, debt servicing, insurance and housing management and planning.

Annually CMHC provides funding of \$123 million to support on-reserve housing. This includes the development of about 900 new units and the ongoing subsidization of some 25,000 units of social housing, the renovation of about 1,000 units occupied by low-income families and individuals, and First Nations capacity development in areas such as housing quality, mold prevention and remediation, and housing management.

**Q10. Have consultations been done with First Nations on the fund?**

Over the last two years, CMHC and INAC have been involved with the Assembly of First Nations' efforts to engage the lending community and its members in developing a national proposal for an investment fund.

The Assembly of First Nations and First Nations, as well as the financial community, will be provided with the opportunity to input into the fund program design and eligibility criteria, beginning in mid-May.

**Q. 11. Why would First Nations families or individuals want to borrow and buy a house?**

There is a widespread consensus that the current approach is not working.

Many First Nations and members will welcome new tools to increase the accessibility to the same housing opportunities and responsibilities on-reserve, as exist off reserve.

A housing market on-reserve will help families and individuals to buy or rent the type of home they desire based on their housing needs, financial situation and personal tastes. It will also will help increase the housing supply, and provide the means to build equity and generate wealth.

[Back to News Release](#)

Date Modified: 2007-06-14

